

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

July 25, 2000

ORDER DENYING REQUEST
TO REOPEN PROCEEDINGS

PUBLIC UTILITIES COMMISSION
Investigation of Central Maine Power
Company's Stranded Costs, Transmission
and Distribution Utility Revenue Requirements,
and Rate Design

Docket No. 97-580

MAINE PUBLIC UTILITIES COMMISSION
Investigation of Stranded Cost Recovery
Transmission and Distribution, Utility Revenue
Requirements, and Rate Design of Bangor
Hydro-Electric Company

Docket No. 97-596

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

Through this Order, we deny the Industrial Energy Consumer Group's (IECG) request to reopen Bangor Hydro-Electric Company's (BHE) recently concluded rate proceeding for the purpose of reducing commercial and industrial class transmission and distribution (T&D) rates.

II. BACKGROUND

On May 9, 2000, the IECG requested a Commission investigation to consider resetting Central Maine Power Company's (CMP) and BHE's commercial and industrial T&D rates to substantially decrease the number of "losers" resulting from industry restructuring. In its filing, the IECG noted that CMP's and BHE's rates were established using "back out" rates which were based on the assumed market cost of electricity for the various customer classes. According to the IECG, this approach was adopted to smooth the transition to retail access and allow an opportunity for all customers to realize lower overall electricity costs. The IECG stated that unanticipated events in the market after the conclusion of the rate proceedings have resulted in combined rates for T&D and generation services which are significantly higher than anticipated, creating a large number of "losers" in the commercial and industrial classes. Because this result is a consequence of incorrect estimates of the market cost of electricity, the IECG stated that all the equities argue for mitigation of the harm.

Through a Procedural Order issued May 18, 2000, the Commission indicated that it would treat the IECG's request for an investigation as a motion to reopen the CMP and BHE rate cases and to alter or amend the orders in those proceedings. The Commission scheduled a conference of parties to discuss the processing of the IECG's request. At the conference, the parties agreed on an initial process designed to allow the Commission to address the threshold question raised by the IECG request: whether a problem exists that warrants a reopening of the CMP and BHE cases and a reduction in T&D rates for certain classes. The process included the filing of bill impact information by the utilities and the submission of comments by the parties.

Pursuant to the agreed-upon process, the utilities provided detailed bill impact data and CMP, BHE and the IECG filed comments. CMP commented that resetting rates is not warranted in that the energy price assumptions for most of its commercial and industrial classes are reasonable compared to actual prices. CMP acknowledged that there are more significant differences in back out rates compared to actual rates for some customers in the larger classes, but most of those customers are on the standard offer. CMP noted that there is a real potential for the negative impacts to be reduced as the supply markets open up in the fall. BHE did not take a position on whether its case should be reopened, but did provide information on the impact on the amortization of the "available value" if the Commission decided to act to reduce the number of losers. The IECG filed comments continuing to urge the Commission to reopen cases.

On July 14, 2000, the IECG filed a letter withdrawing its request to reopen the CMP proceeding, but continued its request that the Commission re-examine BHE's rates.

III. DECISION

Because the IECG withdrew its request regarding CMP, we will not consider reopening the CMP proceeding. For the reasons described below, we decide not to reopen the BHE proceeding.

At the outset, we note that there were never any guarantees that industry restructuring would provide immediate benefits for all customers. However, throughout the rate proceedings, we articulated our objectives to set rates to avoid disproportionate impacts among customer classes and to give customers an opportunity for overall rates that would be lower than existed prior to restructuring. It is our belief that these objectives guided the parties as they negotiated the terms of the CMP and BHE stipulations that established the T&D rates. In addition, at the time we considered and approved the CMP and BHE stipulations, the best available market price information indicated that the stipulations would reasonably achieve these objectives.

Having established T&D rates, beginning March 1, 2000, the supply component of CMP and BHE customer rates would be determined by that market. As in any competitive market, this means that prices rise and fall depending on market conditions. Over recent months, the market cost of electricity has risen, as has the cost of oil and

gas in world markets. It would be contrary to the basic premise of deregulation and the promotion of competition to insulate customers from fluctuations in the generation market by reducing T&D rates to offset generation costs increases.¹

Our decision not to change rates is based not only on policy considerations but also on the data supplied by BHE. According to that data, 6.2% of BHE's customers in the commercial and industrial classes have experienced an increase in overall rates of less than 2.5%, 2.1% received an increase between 2.5% and 5%, and 0.2% received an increase of greater than 5%, but less than 10% (when compared to pre-restructuring rates). Thus, the great majority of BHE's commercial and industrial are currently paying lower overall rates and, for those that are not, the increases are generally small. Additionally, many of these customers are likely to have opportunities to lower their rates by leaving the standard offer and obtaining a competitive supplier after the summer period.

Upon consideration, we conclude that the current circumstances do not warrant the reopening of the BHE rate proceeding.

Dated at Augusta, Maine, this 25th day of July, 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

¹ We note that offsetting market increases by lowering T&D rates through deferrals or a faster amortization of available value does not actually insulate ratepayers from rising market costs. Such action only delays the time when customers pay those costs.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.